

“RISK MANAGEMENT POLICY”

1. BACKGROUND

The history of Indo Rama Synthetics (India) Limited dates back to 1989, when it first forayed into the business of, polyesters. Believing that polyester was going to be the fibre of the future, the commitment and perseverance over the years by the company has today resulted in an undisputed leadership position for it in the Indian polyester arena. A leading manufacturer and supplier in the country's fast growing polyester sector since the last two decades, Indo Rama has emerged as India's largest dedicated polyester manufacturer having carved a niche in the market place for its unmatched quality offerings.

The Company offers a wide range of polyester products which include Polyester Staple Fibre (PSF), Partially Oriented Yarn (POY), Draw Texturized Yarn (DTY), Fully Drawn Yarn (FDY) and Polyester Chips.

The business activities of the Company carry various internal and external risks.

“Risk” in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organization continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

“Risk Management” is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- a. A strategic focus,
- b. Forward thinking and active approaches to management
- c. Balance between the cost of managing risk and the anticipated benefits, and
- d. Contingency planning in the event that critical threats are realized.

In today’s challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are: Regulations, competition, Business risk,

Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

2. **LEGAL FRAMEWORK**

Section 134 (5) (e) of Companies Act, 2013 requires that, directors should provide a statement that, directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively. Further the Independent Directors shall satisfy themselves on the integrity of financial information, and that financial control and the systems of risk management are robust and defensible.

Also as per section 134 (3) (n), Board Report should include a statement indicating development and implementation of a risk management policy.

3. **PURPOSE AND SCOPE OF THE POLICY**

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The objectives of this Policy are:

- **Operations Objective**
Effectiveness and efficiency of the entity's operations, including operational and financial performance, goals, and safeguarding assets against loss
- **Reporting Objective**
internal and external financial and non-financial reporting to stakeholders, which would encompass reliability, timeliness, transparency, or other terms as established by regulators, standard setters, or the entity's policies.
- **Compliance Objective**
Compliance Objectives – related to adhering to laws and regulations that the entity must follow.

4. **APPLICABILITY**

This Policy applies to all areas of the Company's operations.

360° risk management approach at Indo Rama



5. **RISK FACTORS**

a) **Economy risk**

Indo Rama's performance could be adversely affected in the event of a global trade slowdown.

Mitigation

India is witnessing improving macroeconomic fundamentals - moderating inflation, stabilising currency and improving consumer demand. Also consumption-driven and more urbanised middle-class will drive Indian economy.

b) **Demand risk**

Slowdown in downstream industries might affect demand for products.

Mitigation

Today, polyester finds multi-faceted use in apparel, automotive, home furnishing, industrial textile and sportswear sectors than any other forms of man-made fibre. Moreover, increasing population of India, industrialization growth, rapid urbanisation, rising purchasing power, growing middle class, increasing cotton prices and low cotton production capacity growth will significantly drive polyester demand.

c) **Cost risk**

Increasing trends in various input costs can impact profitability.

Mitigation

The Company benefits can be derived from economies of scale in the procurement of raw materials and consumables. Indo Rama converted Heat Treatment Media (HTM) from Furnace Oil (FO) to coal base heating, resulting in saving on energy cost. The Company made shifted from road to railway logistics, reducing logistical cost; also rationalised costs by using bigger trucks for inward and outward transit of material. It renegotiated with all vendors for all key raw

materials, stores and spares; further optimised cost. The Company started substituting expensive material with easily available economical alternatives without compromising end-product quality.

d) Competition risk

Attractive business prospects, quality product portfolio and diverse client base can attract competition.

Mitigation

The Company widened the value-added product portfolio to address a broader client base and reinforced a culture of innovation to reduce cost. Indo Rama's fully-equipped quality control laboratory with contemporary equipment ensures continuous supply of best quality products.

e) Technology Risk

Obsolescence of technology may affect the production process.

Mitigation

Indo Rama had put in place best-in-class technology from Germany, USA, Japan, France, Finland, Switzerland, Belgium and Singapore, among others. Moreover, consistent investment in technology upgradation enables the Company to stay at par with the global best practices. The Company also does process re-engineering and improvisation to enhance efficiency.

f) Marketing Risk

Inadequate marketing initiatives and inability to reach out to the demand pockets in India and globally may affect growth

Mitigation

The Company strengthened its direct customer base; added several new customers across all product categories. It also strengthened marketing and sales team, enabling increased market penetration. The Company's marketing department closely monitors relationships with customers to ensure repeat business. Indo Rama has established direct contact with international customers helping in better understanding of customer requirements, as a result increasing profitability. Several initiatives have been taken to enhance footprints across key demand regions, globally.

g) Human capital risk

Attracting best industry talents and retaining them can be challenge.

Mitigation

Indo Rama has conducted multiple competence building initiatives for all employees, enabling capability building. The Company conducts training programs on various functional areas. The Company ensured cordial working environment and maintains industrial harmony.

h) Forex risk

Volatile global currencies may impact profitability

Mitigation

The Company maintained a judicious balance between exports receipts and imports payments, creating a natural hedge against adverse currency fluctuations. It also used hedging tools (forward / options contracts) to safeguard against currency volatility.

i) Safety, health and environment

(a) Safety

Indo Rama is creating awareness on fire and safety among employees including contractor workers and their family members.

- Imparted fire and safety training to company employees and contractor workers
- Proactive fire squad and regular fire and safety training ensures full preparedness towards handling any emergencies
- Well defined and regularly updated on-site Emergency Management Plan is in place, which expected to tackle any major emergencies inside plant premises and outside plant premises
- Mock drills were conducted to check emergency preparedness
- Conducted awareness programmes for family members of employees on LPG cylinder use and other relevant topics
- Celebrated safety month (4th February to 4th March) to create awareness on safety
- Extended help to nearby industries during fire emergencies at their site by providing fire tender to extinguish the fire
- We abide by all statutory compliance as per Factories Act 1948, Maharashtra Factories Rules 1963 and Maharashtra Fire Prevention and Life Safety Rules

(b) Health

The Company organises periodic health check-ups of employees, and providing guidance on matters of health, diets and exercise, are some of the other key functions of the health centre.

(c) Environment

Since inception, Indo Rama had focused on preserving the ecological balance in order to provide a green, healthy and pollution-free environment. The company maintains a green belt around the plant and adds thousands of trees every year. The Company has adopted various methods and practices for solid hazardous waste management. Polymer and fibre wastes are sold to authorized parties for reuse. Hazardous wastes are handled through registered recyclers who are authorized by the concerned Pollution Board and the MOEF.

Waste generated in Dissolved Air Flotation Effluent Treatment Plant (DAFETP) after treating spin finish effluent is being sent to the common hazardous waste storage and treatment facility at Butibori. The waste water and effluent water after the primary treatment is sent to CETP, Butibori. According to the norms specified

by the State Pollution Control Board three Ambient Air Quality Monitoring System (AAQMS) systems were installed in the plant and the both colonies to continuously monitor air quality.

- The World Environment Day was celebrated to create awareness among one and all about the need of protecting environment and plantation at MIDC & Local community area, Butibori.
- Increased the recycling of paper tubes to reduce the consumption of paper.
- Increased the recycling of wooden pallets to reduce the consumption of wood.
- Started recycling of filter back wash water to use in fountain for plant beautification.
- Increased recycling of condensate water from air handling unit (AHU) to be used in cooling towers.
- Water sprinklers installed with waste water to avoid any fugitive dust emission caused by the truck movement on roads.

j) Information Technology (IT)

Information technology facilitates timing-sensitive and proactive decision-making. The Company is focusing to increase proportion of automated reports rather compare to manual reports. Thus Indo Rama is increasing the level of automation across all reporting system in SAP, helping faster work execution and with enhanced efficiency. Operational atmosphere will improve tremendously because people will have ready access to required data required. The Company is implementing a new emailing framework with a feature of internal chat room, enabling quicker and efficient internal communication and reduced spam threats. The Company imparted IT training across the board to train users about better data and machine management. Going forward, the Company is planning 100% automation in terms of data capturing, data utilisation and knowledge available to relevant people.

k) Cyber Security Risk

Every Company connected to the Public Network is at Risk from Cyber Attack:

These can be of the nature of Malware, Ransomware, Brute force attacks, Phishing, Social Engineering, etc.

Mitigation Plan of the Company for Cyber Attack are as follows:

The Company has deployed threat and antivirus tools, hardened their infrastructure to reduce such attacks. They are also in the process of deploying additional tools for security events, identification and monitoring.

The Company also intends to maintain backup of critical business application on the clouds.

6. INTERNAL CONTROLS AND THEIR ADEQUACY

Internal audit is used as an effective tool to check and enhance efficacy of systems, processes and controls of the Company. It is carried out by an independent agency and internal enterprise risk management team. The review plan, drawn in consultation with the senior management, covers all the major areas. Standard operating procedure compliance and management-approved policies are reviewed and areas of improvement, if any, are identified. All the observations and suggestions for improvement form a part of the report. The report is discussed with Senior Management and audit committee of the Board. Wherever necessary, adequate corrective measures are initiated to ensure compliance.

7. STATUTORY COMPLIANCE

The Chairman and Managing Director makes a declaration at each Board Meeting regarding the compliance with the provisions of various statutes after obtaining confirmation from all the units of the Company. The Company Secretary ensures compliance accordance to SEBI regulations and provisions of the Listing Agreement.

8. RESPONSIBILITY FOR RISK MANAGEMENT

Generally every staff member of the organization is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

9. COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with organization's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

10. REVIEW

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

11. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.